BUDGET SPEECH
1969-70

Thiru K. A. Mathialagan

Minister for Finance

1st March 1969

Speech of Thiru K. A. Mathialagan, Finance Minister, presenting the Budget for 1969–70 *to the Legislative Assembly of Tamil Nadu on the* 1*st March* 1969.

Sir,

I rise to present the Budget Estimates of the Government of Tamil Nadu for 1969–70. The Revised Estimates for 1968–69 and the Accounts for 1967–68 are also before the House.

2. It is a matter for profound regret that my political mentor, the revered Anna is not here to-day to present the Budget, the salient features of which had been finalised even while he was effectively in charge of the financial affairs of the State. Even a prosaic document like the Budget under his masterly touch became a potent instrument for rousing the people and harnessing their enthusiasm and energies for the tasks of development. Functioning within all the limitations of a federal constitution and assuming responsibilities at a time when our economy was faced with difficulties of an unprecedented character, Anna had endeavoured to give a new orientation to our economic policies and programmes through the two Budgets which he presented to this House. What he managed to achieve in the last two difficult years held out rich promises of what this State under his leadership could have accomplished

if circumstances had been more propitious and he had been spared a little longer to serve the people of Tamil Nadu, whom he loved so well. I will assure the House and through it the people of Tamil Nadu that it will be the endeavour of all of us to follow in the footsteps of our departed leader and seek to implement to the best of our ability and resources, the policies he laid down.

Progress under Anna's stewardship.

3. Anna's stewardship of the affairs of our State was a brief but memorable interlude in the long history of the Tamil speaking people. Leaving aside his contribution in other areas of administration and confining our attention to the fields of Finance and Planning, Anna's efforts to maintain the tempo of development without at the same time impairing the financial stability of the State should receive special praise from economic analysts. Tamil Nadu will be among the two or three States which had managed to maintain the pace of development in the last two years and if it is remembered that the other States which fall in this exceptional category have a stronger resource base than Tamil Nadu, our performance should receive special appreciation. During the last two years, he had to concentrate attention necessarily on programmes already well under way and the room for new initiatives within the framework of annual plans was understandably limited. But even so, in his own masterly way, he deftly changed the relative priorities of the plan and set new targets in certain fields of development. I shall content myself here with mentioning just a few of the directions in which he sought to reorient the programmes of the State Government. Though the importance of rural electrification has for long been recognised in our State plans, he sought to accelerate the pace still further in the well-founded belief that lift irrigation provided

the surest basis for an acceptable rate of growth for our agricultural economy. The number of pumpsets energised in the last two years will be over 1,00,000. He also gave a new impetus to the multiple cropping and high yielding varieties programmes and the results of his efforts in these directions would have been more clearly visible if the seasonal factor had not been as adverse as it has been in the last two years. Anna had also the vision to recognise the importance of institutional finance in programmes of agricultural development and he persuaded the farmers and the agricultural planners to accept the inevitability of a switchover from Governmental to institutional finance. Even those who had genuine doubts about the success of this new policy at the start would, by now, have been fully convinced of the wisdom of the policy he had initiated. The new record which has been set by the land mortgage banks in our State in the current year holds out the assurance that they will be able to implement a programme of the order of Rs 70 to Rs 90 crores as envisaged in the Fourth Plan period. When it is remembered that the lendings of the land mortgage banks had in the last decade averaged about only Rs 3 crores per year, the far reaching significance of the move towards institutional finance initiated at the commencement of the current year will be fully appreciated.

4. While ensuring the implementation of the Plan with vigour, the late Chief Minister had also borne in mind the need to provide for essential commitments falling outside the Plan. He was in particular aware of the need to assure within the resources available improvement in the conditions of service of the employees of Government. Apart from successive increases in rates of dearness allowance so as to

maintain continual parity with rates applicable to employees of Central Government, he sanctioned City Compensatory Allowances to employees in the cities of Madras and Madurai and their environs, for which employees had been pressing for nearly five years. Special mention should also be made of the facility now given to employees for encashment of their leave privileges. The retirement benefits of employees have also been substantially improved with the new provision for computation of pension on the basis of average emoluments of the last thirty-six months of service without any distinction being made between substantive pay and officiating pay as hitherto. The scheme for family pension to teachers is also being liberalised more or less on the lines of the scheme now in force for employees of Government. In accordance with the directions issued by Anna, we are also sanctioning with effect from 1st April 1969 a scheme for grant of loans to Government servants for meeting expenditure on marriages. A provision of Rs 10 lakhs has been made in the Budget Estimates. The distribution of foodgrains at subsidised rates is another important programme for which he will for ever be remembered. One of his last important acts as Chief Minister was to appear before the Fifth Finance Commission and plead for devolution of adequate resources to enable the State to bring about a measure of improvement in the scales of pay of employees of Government and teachers.

5. Anna's tenure as Chief Minister was also notable for the fervour with which he pleaded for rationalisation of the existing relations between the States and Centre in the realms of finance and planning. His attempts to focus the attention of the enlightened public on the need for a reappraisal of the financial

relations between the Centre and the States have met with a measure of success. In his very first Budget speech, he drew the attention of this House and through it the public at large to the problem of the growing burden of debt charges in State Budgets. The present situation in which the States, faced with an aggregate debt burden of over Rs 7,000 crores, are constrained to provide for interest and repayment of principal to the Centre over one-third of the resources transferred from the Centre to the States, is by any standards anomalous and cries aloud for remedy. His plea that the question of rescheduling of debts due from the States to the Centre needed to be taken up for expert study so as to afford a measure of relief to the States has been endorsed by many other States too. It is significant to note that the Government of India have also now recognized that the problem merits further study and are currently considering certain suggestions for debt relief.

6. While urging that the development of genuine co-operative federalism called for a reallocation of financial resources between the Centre and the States on a more equitable basis, Anna was fully aware of the need for prudent financial management. He sought progress with stability, and the way in which he handled the State's financial problems in the last two years should evoke widespread appreciation. The Accounts for the year 1967–68, which are now before the House, disclose a small revenue surplus of about Rs 7 lakhs, which coming in the wake of the substantial revenue deficits of the two preceding years testify to the care and circumspection with which he had steered the finances of the State even in the absence of the increased Central assistance he had sought for his programmes.

Revised Estimates, 1968–69.

7. The House will recall that the Budget Estimates for the current year too had envisaged a small revenue surplus of Rs 74 lakhs. The Revised Estimates now before the House place the receipts on revenue account at Rs 277·28 crores and expenditure at Rs 263·61 crores, the resultant surplus being Rs 13·67 crores. But this surplus is not real as the Revised Estimates include certain receipts of a non-recurring nature, which cannot be regarded as normal accretions of revenue. Government of India have agreed in response to representations made by us and other States to provide grants to the State Governments for amortisation of open market loans for the period beginning from 1966–67. The grant to which this State is eligible has been assessed at Rs 6·05 crores per annum. This amount will, however, be made available to the State Governments not in cash but through conversion of miscellaneous development loans sanctioned for plan schemes. The Revised Estimates in the circumstances take credit for a sum of Rs 18·15 crores as additional grant from the Government of India, which will be offset by a reduction of Rs 6·05 crores in loan assistance in the current year for the plan and repayments through book adjustments of Rs 12·10 crores of miscellaneous development loans drawn in 1966–67 and 1967–68. The arrears of interest of Rs 9·72 crores earned by the State Electricity Board on commercial account in earlier years but not made over to the State Government for want of cash resources, have also been taken credit for in the Revised Estimates. If allowance is made for these two items of non-recurring nature, the Revised Estimates for the current year will disclose a substantial revenue deficit. But this deficit need cause no undue concern, for it reflects in a large measure temporary set-back in revenue receipts under heads

such as sales tax due to industrial recession and commitments arising from the two instalments of dearness allowance sanctioned in the current year. The deterioration on revenue account has been more than fully compensated by improvement under capital and loan accounts and this should enable the State Government to close the current year without any overdraft with the Reserve Bank in spite of substantial increase in the outlay on the Plan from Rs 79·68 crores as originally budgeted to Rs 89·07 crores as now indicated in the Revised Estimates.

Budgetary prospects for 1969–70.

8. Turning now to the budgetary prospects for next year, a few preliminary observations are called for on the uncertainties and difficulties facing State Government, which militate against firm budgeting both in regard to Plan and non-Plan activities. The uncertainty in regard to the non-Plan section of the Budget stems largely from the fact that the final award of the Fifth Finance Commission now in session will become available only towards the end of July 1969. A word of explanation may be necessary on the present classification of expenditure as between Plan and non-Plan. The entire expenditure under non-developmental heads such as general administration, police, administration of justice and debt charges is treated as non-Plan. Besides, provision for maintenance of institutions and services under developmental heads at the level reached at the commencement of the new Plan period is also classified as non-Plan. Expenditure on Revenue Account on new programmes or expansion of existing activities under different heads of development such as agriculture, medical and public health, education, welfare of backward classes, etc., and the entire expenditure on capital and loan

accounts under developmental heads are categorised as falling within the Plan. The expenditure on Plan as thus defined is to be financed through Central loans and grants under Article 282 of the Constitution through fresh loans and borrowings and other miscellaneous capital receipts of the State Government net of repayments, and additional taxation. As regards non-Plan expenditure, it has by now become a well established practice for the Finance Commission to cover through devolution of Central taxes and grants under Article 275 of the Constitution any deficit which remains after taking full credit for the revenues of the States at existing rates of taxation. The Revenue Estimates for 1969–70 as now before the House place the receipts on Revenue Account at Rs 268·66 crores including a sum of Rs 5·60 crores to be mobilised by the State with reference to the target of additional taxation set by the Planning Commission for the State for the Fourth Plan Period. The expenditure on Revenue Account is Rs 285·37 crores, revealing a deficit of Rs 16·71 crores. The revenue deficit may look alarmingly large. But this is due entirely to non-Plan commitments, which have to be taken note of by the Fifth Finance Commission. As the House is aware, the interim report of the Fifth Finance Commission did not make any additional resources available to the State Government. At the same time, the entire burden of financing the committed expenditure arising from the three annual plans was completely thrown on us. We have, besides, given an additional instalment of dearness allowance estimated at Rs 3·6 crores in January last. This has also to be taken into account by the Fifth Finance Commission in its final award. It has been computed that of the total revenue deficit,

the deficit attributable to the non-Plan side is Rs 20·7 crores. We hope that following the practice of the earlier Finance Commissions, the Fifth Finance Commission now in session will through devolution of Central taxes and grants under Article 275 of the Constitution make available additional resources for covering fully the non-Plan deficit. The provision of additional assistance for bridging the gap in State Budgets on non-Plan account should be the first charge on Central resources.

9. The Budget Estimates taking into account Revenue, Capital, Loan and Public accounts also reveal an overall deficit of Rs 19·52 crores. But this deficit is only a reflection of the substantial non-Plan Revenue deficit, which, as we have argued, should be fully met in the final award of the Finance Commission. We have therefore left the deficit uncovered. Some efforts at mobilisation of resources for the Plan is however necessary as already indicated with reference to the targets set by the Planning Commission and Government will place proposals in this regard in due course before the House. It is hoped that these resources could in part be secured through rural debentures, a new instrument for mobilisation of savings in rural areas. Planning Commission attaches great importance to these debentures, details of which are however yet to be worked out. To the extent we are able to raise some resources through rural debentures, the need for taxation will be less. The House may also kindly observe that we have taken credit in the Budget Estimates for a net accrual of Rs 2·4 crores through State Raffle Scheme in next year's Budget Estimates. This amount has for the present been shown under Public Account on the basis of legal advice tendered

to us. Audit has however taken the view that the receipts should appropriately form part of the Consolidated Fund and treated as non-tax Revenue. The matter is still under correspondence and the House will be apprised of the final position in due course. The House may however kindly note that if the view of Audit should ultimately prevail, net receipts under State Raffle Scheme will have to be transferred to Revenue Account and this will have the effect of reducing the revenue deficit.

State's suggestions to Finance Commission.

10. It will be appropriate at this stage to refer briefly to the suggestions contained in our memorandum to the Finance Commission. We have urged that the share of states in income-tax should be raised from 75 per cent to $87\frac{1}{2}$ per cent having regard to the fact that the Centre has in the last few years increased its share of income-tax through levy of surcharges exclusively for purposes of the Union. As regards the principles for distribution of income-tax among the States, we have urged that 20 per cent should be distributed on the basis of collection, 60 per cent on the basis of rural population and 20 per cent on the basis of urban population. We have pleaded for a measure of weightage for urban population, because income-tax is realised mostly in urban areas and the provision of civic amenities in urban areas calls for large outlays. Having regard to the fact that in the scheme of transfer of resources between the Centre and the States, income-tax has ceased to be as important as envisaged by the architects of the Constitution, we have urged that Corporation tax should be brought within the shareable pool. This suggestion can be implemented only through amendment of the Constitution. As such amendment will take time, we have proposed

that in the meanwhile transfer of resources on a higher scale to states should be effected through larger participation of states in other taxes currently shareable. To this end we have pressed that the share of the States in Union Excise duties should be raised from 20 per cent to 40 per cent and that this should be distributed among the states solely on the basis of population with weightage of 25 per cent for urban population. We have opposed the suggestion for extension of the scheme of additional excise duties in lieu of sales tax to a larger number of commodities, as any such move would deprive the States of the only elastic source of revenue at their disposal. We have also drawn the attention of the Finance Commission to the apathy of the Central Government in resorting to levies under Article 269 of the Constitution for the benefit of the States and have in particular urged that instead of seeking larger revenues from Railways solely in the form of increase in Railway freight, the Central Government could also levy a tax on Railway freight, as the proceeds of such a tax will be wholly assignable to the States. Even if all these suggestions are accepted by the Commission, there will still remain a large gap between revenue receipts at current rates of taxation and Revenue expenditure excluding outlays on the Plan. This gap will have to be bridged fully through grants-in-aid under Article 275 of the Constitution. We hope that our plea will receive sympathetic consideration at the hands of the Commission and their recommendations will contribute materially to improvement in the present state of financial relations between the Centre and the constituent units of our large federation. I cannot do better than quote the concluding observations of our revered leader Anna in his opening

speech before the Commission during its visit to Madras in January. Referring to the normal tendency of the Finance Commissions to subject the forecasts of States to meticulous scrutiny and prune their demands to the utmost, he told the Commission that after all such calculations had been made, "the crucial question which the Commission should ask of itself is not what minimum subsistence allowance it should provide for the State to keep it going in the next five years; it should rather be how best the Commission can assist a State, which has by and large managed its affairs prudently to meet the needs of the people more effectively and thus leave the State and its people with a feeling that they have on the whole had a fair deal."

Fourth Five-Year Plan.

11. So far as the Plan is concerned, the House is aware that we have presented to the Planning Commission a Five-Year Plan calling for an outlay of the order of Rs 624 crores. Central assistance will be the crucial determinant of the size of the State's Plan. Though Central assistance for the new Fourth Plan has in the aggregate been maintained at Rs 3,500 crores (i.e.) at the same level for the original Fourth Plan, the share of Tamil Nadu has suffered a grievous cut. The Planning Commission have committed themselves at this stage only to Central assistance of the order of Rs 201 crores for the Plan, as against Rs 250 crores indicated for the original Plan. This order of Central assistance together with the State's own resources inclusive of additional mobilisation can support a Plan of only Rs 501 crores. We have urged before the Planning Commission that the reduction in Central assistance is far too drastic and that it will not be possible to ensure a minimum rate of growth for the State's economy with a Plan of only Rs 501 crores.

We are aware that the cut in Central assistance is in part the outcome of the decision of the National Development Council to reserve 10 per cent of the aggregate Central assistance for State Plans exclusively for six States whose per capita income is reported to be below the national average. We have argued before the Planning Commission that even if the need for special assistance for backward States is granted, the resultant reduction of Central assistance for other States should be distributed equitably among the States with reference to their level of prosperity as measured by the excess of the per capita income of the State above the national average. It is our contention that the per capita income of Tamil Nadu is just a shade above the national average, and under the present formula we are called upon to sacrifice more than our proportionate share for the sake of the backward States. Further, we feel that even under the formula as evolved by the National Development Council, the Planning Commission does enjoy an element of discretion in the allocation of Central assistance and this discretion should be so exercised as to ensure that no State suffers unduly in relation to what it had been promised for the original Fourth Plan. Ten per cent of the Central assistance for State Plans has been reserved to be distributed among the States with reference to special problems and in our view it should be possible for the Planning Commission to distribute the amount reserved under this head so as to bring about on the whole a more equitable allocation of Central assistance for State Plans. In any case, when the formula suggested by the National Development Council is seen in practice to inflict undue hardship on certain States and to confer wholly unintended benefit on certain affluent States, it is necessary that the whole issue should be referred back to the National

Development Council for reconsideration. We hope that the principles for allocation of Central assistance will be considered afresh by the National Development Council and as a result of such a reappraisal, our share will be marked up to an extent. We are also bound to get some additional resources out of the proceeds of additional taxation which may be levied by the Centre in the Fourth Plan period subsequent to the award of the Finance Commission. We have also a strong case for a measure of relief in regard to repayment of loans to the Centre. With Central assistance for the Plan fixed at Rs 201 crores, the loan component thereof may work out to only about Rs 150 crores. As against this, the liability on account of repayment of loans to the Centre has been estimated at approximately Rs 148 crores. The State will therefore not get any effective loan assistance from the Centre for the Plan. We have pleaded with the Planning Commission that this anomalous situation should be taken note of and a decision on the rescheduling of debts due to the Centre should be expedited. The whole problem is now under consideration of the Centre and it is not unrealistic to hope that some additional resources will accrue through such rescheduling of debt obligations by the Centre. We have made it clear to the Planning Commission that we consider a minimum outlay of Rs 575 crores on the Plan as inescapable and that it should be possible for us to fulfil a Plan of this order, if some additional help is given to us in the manner indicated above.

Annual Plan 1969-70.

12. The size of the Annual Plan for 1969-70 is of more immediate significance to us than that of the Fourth Plan, decisions in regard to which are bound to take a little time. On the basis of Central assistance of Rs 36 crores, our own resources and

additional mobilisation of Rs 7 crores, the Planning Commission has asked us to restrict the outlay on the Plan for 1969–70 to about Rs 72 crores. Having regard to the large outlays needed for spillover programmes like the Ennore Thermal Scheme and the investments called for in sectors of high priority such as those relating to agricultural production, the State Government have felt that a minimum Plan of the order of Rs 87 crores is called for. We expect the Central assistance of Rs 36 crores to be marked up a little corresponding to the increase in Central assistance for the Fourth Plan, which we are pleading for. We have even otherwise a strong case for increase in assistance for the Plan for 1969–70. During the period of the three Annual Plans covering the interregnum between the Third Plan and the new Fourth Plan, Tamil Nadu did not get Central assistance in the proportion agreed upon and it has been conceded by the Planning Commission itself that there has been a shortfall in assistance of over Rs 3 crores. If the original Fourth Plan had run its normal course, this shortfall would have been made good to us. Taking this also into account we hope that Central assistance for next year's Plan will be marked up from Rs 36 crores to at least Rs 40 crores. In the hope that our plea, which is a very modest and reasonable one, will be accepted, we have in the Budget Estimates for 1969–70 taken credit for Central assistance in the form of loan and grant of the order of Rs 40 crores.

13. Among the various loans repayable to the Government of India in the coming year, there is a lump sum loan of Rs 13·5 crores, which falls due for repayment on 31st March 1970. This represents the repayment of the loan given by the Government of India to the composite State of Madras in 1952–53

to enable it to tide over the difficult situation caused by famine relief measures in Rayalaseema and elsewhere. We have argued before the Planning Commission that irrespective of the decisions of the Government of India on the general question of rescheduling of debts, the least that should be done is to permit us to repay this lump sum of Rs 13·5 crores over a period of five years. This suggestion will give us relief to the extent of Rs 10·8 crores in 1969–70, without in any way affecting Centre's resources taking the Fourth Plan period as a whole. We have reason to hope that this plea of ours which is intrinsically reasonable will meet with favourable response from the Government of India. We have in the Budget Estimates for 1969–70 provided for repayment of loans to the Government of India on the assumption that our request for rephasing of the repayment of this particular loan will be agreed to. On the basis of acceptance of these two requests by the Government of India, we have drawn up a Plan of Rs 87·20 crores for 1969–70 and presented it along with the Budget.

Agricultural Production.

14. In drawing up the Plan for the next year which heralds the new Fourth Plan, we have continued the emphasis on agricultural production and allied programmes. The House is aware that these programmes have received a set-back in the current year in view of the unprecedented drought experienced in several parts of the State, particularly in North Arcot and Chingleput districts. The deficiency in rainfall during the North-East Monsoon season has been assessed at nearly 40 per cent. The adverse seasonal conditions in areas dependent on irrigation by rain-fed tanks and wells have neutralised the success attending on high-yielding varieties programme and multiple cropping programmes implemented in other areas such as

Thanjavur with assured facilities for irrigation. In the result, agricultural production in the aggregate is expected to be at a lower level than last year. The failure of crops in Chingleput and North Arcot districts underlines the need for intensification of our efforts at procurement of paddy in other areas. About 45 lakhs of people in the statutory rationed areas of Madras City and Coimbatore town and environs are covered by the "One Rupee a Measure" Scheme. Besides, 130 lakhs of people spread over other districts are covered by family cards and rice is being sold at a price which is much less than the market rates. A provision of Rs 8·79 crores has been made in the Budget Estimates of 1969–70 towards the cost of subsidy representing the difference between the procurement price and other incidental charges and the actual price at which rice is sold to consumers. We have also been able to make available to people large quantities of red wheat which is not much costlier than rice and we hope that with the increased use of wheat, cholam and ragi, we will be able to tide over the difficult situation caused by failure of rains in the current year.

15. If seasonal conditions had been fair, it should have been possible on the basis of the various programmes successfully implemented as part of the Plan to raise the level of production of foodgrains to about 63 lakh tonnes in the current year. The drought in the current year has only further highlighted the need to push through with greater vigour the programmes which will immunise agricultural operations against vagaries of the weather. The next year's Plan therefore provides for the sinking of 2,500 private tube-wells, 3,000 filter point tube-wells and 14,000 simple wells. Loan assistance for these programmes will be routed

through the Land Mortgage Banks. The Central Land Mortgage Bank which is expected to disburse Rs 12 crores towards various programmes of agricultural improvement in the current year will step up its activities further and it is estimated that the Bank should be able to raise not less than Rs 14 crores, and possibly up to Rs 18 crores, depending upon conditions in the money market next year. Towards the debentures to be floated by the Central Land Mortgage Bank, Government will also make a substantial contribution and the Budget Estimates for 1969–70 embody a provision of Rs 4·6 crores in this regard. The Agro-Industries Corporation, which has been activised in the current year has up to end of January 1969 disbursed loans aggregating to Rs 70 lakhs for purchase of tractors and Rs 80 lakhs for purchase of oil engines and electric motor pumpsets. We have provided in the next year's Budget Rs 50 lakhs for further contributions towards share capital of this Corporation which will be supplemented by an equal amount from the Government of India. With these resources and refinancing facilities from commercial banks, it should be possible for the Corporation to continue its present beneficent role in 1969–70. The Government of India have taken a decision of policy that the distribution of imported tractors should in future be effected solely through the Agro-Industries Corporation. The House should be glad to know that in pursuance of this policy, 650 tractors of foreign make have been allotted for distribution in Tamil Nadu through the Agro-Industries Corporation. Having regard to the current shortage of tyres and tubes for tractors, the Corporation is also taking steps to procure these scarce items in

bulk and distribute them at fair prices to the agriculturists. Besides these programmes, special schemes financed by Agricultural Refinance Corporation entailing a total outlay of Rs 770 lakhs and pertaining mostly to minor irrigation and reclamation schemes are also in various stages of implementation. The Government have also formulated and submitted to the Agricultural Refinance Corporation, other schemes involving a total outlay of Rs 1018 lakhs covering such programmes as sinking of wells in Krishnagiri in Dharmapuri district, Madurai and Melur in Madurai district, Sankarankoil in Tirunelveli district, Pullambadi and New Kattalai Canal areas in Tiruchirappalli district, Sivaganga and Tirupattur taluks in Ramanathapuram district and Amaravathi Project area in Coimbatore. A few schemes relating to development of dairying and coffee plantations and fisheries are also being formulated. The House may rest assured that Government will spare no pains in tapping the resources from the Agricultural Refinance Corporation for strengthening the infrastructure for agricultural development in our State.

16. It is also encouraging to note that in consonance with the new responsibilities cast on them under the policy of social control, commercial banks are now evincing genuine interest in meeting the needs for medium-term credit to agriculturists. Almost all the big banks have come forward to provide credit to agriculturists in compact areas settled in consultation with Government on the basis of guarantees provided by Government. A sum of nearly Rs 3 crores is expected to flow under these schemes towards the various programmes of agricultural development in our State. The scheme of guarantee is intended only to provide a measure of assurance to banks in the initial

stages of their operations in a field which has hitherto remained unexplored. But we trust that with the experience gained in the working of the scheme and the opening of larger number of branches in rural areas, the commercial banks will continue to finance agricultural development on their own. Government on their part are examining how best they can assist the commercial banks through legislative and executive action in regard to such matters as verification of titles, mortgage of properties and stamp duties and registration charges. Government feel that the commercial banks have an important part to play in the process of reorganisation of our agrarian economy on the basis of modern science and technology and will endeavour to do their best in forging new links between the commercial banks and agriculture.

17. Programmes relating to high-yielding v... ties and multiple cropping will be further intensified in the coming year. The high-yielding strains will be extended to cover an additional area of 3 lakh acres and double cropping will be introduced over an additional extent of 1 lakh acres. Simultaneously, the present arrangements for protection of crops against pests and diseases will be further strengthened. An extent of 48 lakh acres of food crops and 24 lakh acres of non-food crops will benefit under the scheme for distribution of pesticides and insecticides. Having regard to gratifying results achieved with aerial spraying in the current year, it is proposed to cover an extent of 3·5 lakh acres in 1969–70. The ryots are now keenly aware of the need for plant protection. In the course of our discussions on the Plan, representatives of Government of India and Planning Commission have suggested withdrawal of subsidies on pesticides and diversion of the funds so saved for other programmes

of agricultural development. While agreeing in principle that the element of subsidy will eventually have to disappear, the Government however felt that the withdrawal of subsidy can only be according to a phased programme. The Government have therefore decided to reduce the subsidy on pesticides from 35 per cent to 30 per cent in the coming year. The Government have proposed to set up a laboratory for testing pesticides at Kancheepuram. Provision has been made in the Plan for next year for distribution of 5,000 sprayers among the ryots. The Department will also acquire 500 power operated sprayers for hiring out to the ryots. Keeping in view the importance of improved strains and the interest which private trade is evincing in distribution of improved seeds, the Government also propose to make a beginning with a seed certification scheme. Towards this scheme which will eventually entail an expenditure of nearly Rs 30 lakhs, a provision of a little over Rs 3 lakhs has been made in the Budget Estimates for 1969–70. The Government are also sanctioning a scheme for designing and fabricating suitable seed processing equipment at Coimbatore at a cost of about Rs 12 lakhs.

Irrigation.

18. With a provision of Rs 4·5 crores the pace of execution of medium irrigation projects will also be stepped up in the coming year. While further progress will be made in regard to Parambikulam-Aliyar Project with Rs 250 lakhs and Chittar-pattanamkal Project with Rs 80 lakhs, the Manimukthanadhi Scheme will get completed in the next financial year. A provision of Rs 60 lakhs in aggregate has been made for Ramanadhi and Gatana Schemes in Tirunelveli district. It is also proposed to take preliminary works relating to new schemes such as

Thandarai in North Arcot district, restoration of Nandan Channels in South Arcot district, Pillavaikkal Scheme in Ramanathapuram district, anicut across Vaippar in Tirunelveli district and Doddahalla in Dharmapuri district which have all been included in the Fourth Plan. These schemes will be taken up as and when they secure the formal technical clearance of the Planning Commission. These new schemes while affording relief in pockets of scarcity, will not cumulatively contribute to any significant increase in irrigated area. We have therefore to rely principally on schemes designed to promote better management of the water resources in our old irrigation systems. Our Plan therefore embodies programmes for modernisation of the Cauvery, Periyar and Vaigai Systems. The exploration for ground water resources is also being pushed through with technical and financial assistance provided under the United Nations Special Fund Programme. A provision of Rs 23 lakhs has been made in the Budget Estimate for this programme.

Fisheries.

19. In framing the next year's Plan, we have kept in view also the importance of accelerated development of fisheries in a State with a long coast-line such as ours. The next year's Plan envisages construction and distribution of 175 mechanised boats. Besides, schemes are being formulated for construction and operation of 275 mechanised boats by Co-operative Federation of fishermen with financial assistance from the Agricultural Finance Corporation. The Corporation has already sanctioned a scheme for construction and operation of 50 boats by the Federation at Madras. As the House is aware, the Government have also placed orders for construction and supply of four trawlers and these are expected to be received during 1969. The increase in the

number of mechanised boats has to be matched by necessary improvement in landing and berthing facilities. Such facilities have already been provided at Cuddalore and Nagapattinam. The construction of jetties in Mandapam and Rameswaram has been sanctioned and the work will be taken up shortly. The House will also be glad to know that the Government of India have sanctioned two major Harbours in Madras and Tuticorin at a cost of Rs 6·2 crores and the actual work of construction is expected to be taken up in the near future. It is encouraging to find that private enterpreneurs are now evincing keen interest in the exploitation of the potential for fisheries in our State. The lessee of the Government Freezing Plant at Ennore has started exporting prawns to United States and Japan, thus marking the advent of the State in the export market in fisheries.

Animal Husbandry.

20. The scale of activities of the Animal Husbandry Department will be appreciably stepped up in the coming year. The Plan provides for the establishment of 35 veterinary dispensaries in different rural centres. The scheme for intensified development of cattle in the milk-shed areas of Madras, Coimbatore and Madurai will be strengthened with additional provision of Rs 9 lakhs in the next year's Budget. A provision of Rs 14 lakhs is included for expansion of poultry extension centres. The various research programmes of the Department had to an extent suffered neglect during the Third Plan and Annual Plan periods. It is proposed now to make good the deficiency with a provision of Rs 75 lakhs in the Fourth Plan.

Industrial Development.

21. Important as it is, the augmentation of agricultural production cannot constitute the whole of our developmental strategy. In a State such as ours

with its high density of population and educated unemployment, promotion of industries, both large-scale and small-scale, is of special significance. But in view of the delay in the finalisation of Fourth Plan and the management of our economy on the basis of Annual Plans with limited objectives and outlays in the last three years, the pace of industrial expansion in the country as a whole has understandably slackened. Besides, due to the slowing down of programmes of investments of Central and State Governments, we have also witnessed the emergence of surplus capacities in several industries. In the circumstances, emphasis in the National Plan in the last two years has been on consolidation rather than on expansion of industries. In particular, the textile industry which still continues to be the premier industry of the State has been passing through a very difficult phase. Government's attention has therefore been primarily concentrated on getting the closed textile mills reopened and, in general, creating conditions in which the industry can regain a stable market for its products. As the House is aware, Government have decided on the establishment of a State Textile Corporation which will be concerned with the modernisation and management of textile mills taken over from the private sector. A provision of Rs 15 lakhs has been made in the Budget Estimates for 1969–70 for provision of assistance to the State Textile Corporation which will also be able to secure substantial assistance from the National Textile Corporation and institutional financing agencies. But the industry can secure significant relief only with appreciable reduction in excise duties on cotton yarn.

22. The pace of industrial expansion of the State in the Fourth Plan will be determined not so much by the provision made in the State's Plan as by the investments of the Central Government in major projects in the State and by investments in the private sector. The programmes of the Central Government in the industrial sphere in the Fourth Plan still remain uncertain and the commitments already made by the Central Government only envisage the completion of a few major projects such as the Madras Refineries and the Madras Fertilisers Project which are in an advanced stage of construction. Of these, the Refinery is expected to go on stream shortly. With the commissioning of the Refinery, the prospects for establishment of petro-chemical industries in our region will significantly improve and we hope that it will be possible for private entrepreneurs in our State to take advantage of these possibilities on the basis of the findings of the expert study which Government have already initiated. The House should be glad to know that the Imperial Chemicals India (Private), Limited has proposed to set up a factory for the manufacture of a range of specialised drugs and pharmaceuticals based essentially on indigenous raw materials. The sanction of a licence by Government of India is awaited. Likewise, Philips (India) have applied for a licence to the Government of India for the establishment of a factory with a total equipment of Rs 1·5 crores for the manufacture of electronic components like semi-conductor devices and integrated circuits.

23. The Madras State Industrial Development Corporation will continue to be the principal agency the State Government for establishment of major

industrial units in the State sector. A provision of Rs 2·80 crores has been made in the Budget Estimates of 1969–70 for enabling the Corporation to push through programmes in the establishment of a Cement Plant in Alangulam and Continuous Casting Plant at Arkonam. Of these, the Cement Plant is expected to be completed by about the middle of next financial year. The scope of work of the Corporation has also been recently enlarged to cover provision of assistance to select projects in the private sector in the form of contribution to share capital and guarantee for loans obtained from Commercial Banks. The Corporation has been asked to promote also the establishment of a fertiliser plant at Tuticorin as a joint sector project and a provision of Rs 150 lakhs has been made for this purpose in the Fourth Plan.

lem Steel Plant.

24. It is a matter for regret that while the feasibility of a Steel Plant at Salem based on Kanjamalai ore and Neyveli Lignite has been firmly established, through several techno-economic studies and investigations, the Government of India have not thought it fit to make a start on the project. The State Government feel that the exploitation of Salem iron ore should not be deferred any longer. They have therefore included in the State's Plan a provision of Rs 10 crores to enable them to go ahead with the opening up of the mine in Kanjamalai and setting up a concentration and pelletisation plant. Facilities so built up could be integrated with the steel plant in due course. The House will be glad to know that a provision of Rs 51 lakhs has been made for making a start in this scheme in 1969–70. I have no doubt that this provision, marking as it does the first step in the consummation of the long-cherished aspirations of our people, will be hailed as a significant landmark in the economic history of Tamil Nadu.

25. A number of schemes relating to industrial estates, provision of developed plots and small industrial units have also been included in the next year's Plan apart from the appreciable expansion of programmes relating to development of sericulture and handicrafts. I would content myself with inviting the attention of the Members to the list of these schemes in Appendix I of the Budget Memorandum.

26. With the development of a number of units in the Small-scale Sector, it is also necessary to enlarge facilities for marketing their products. The House should from this angle welcome the provision being made for the establishment of a Small-scale Industrial and Commercial Museum in Madras and a State Emporium at New Delhi. These two programmes will eventually entail an outlay of Rs 18 lakhs towards which a provision of Rs 7 lakhs has been made in the Budget Estimates for 1969–70.

Power Projects.

27. The pace of execution of programmes for generation and transmission of power has been well maintained. The outlay on Power programmes in the Revised Estimates of the current year has been stepped up to Rs 40·31 crores as against Rs 32·17 crores initially provided. Our power grid has now enough capacity to meet all demands made on it by industrial as well as Agricultural consumers. A further installed capacity of 305 M.W. will be added in 1969–70. On present indications the Electricity Board is expected to be able to commission the following additional units in 1969–70 :—

(i) First and Second Unit of 60 M.W. each at Ennore.

(ii) 60 M.W. Unit at Aliyar Power House.

(iii) 25 M.W. Unit at Sholayar Power House II.

(iv) 60 M.W. Unit at Kodayar Power House I.

(v) 40 M.W. Unit at Kodayar Power House II.

Besides these, an additional capacity of 200 M.W. of Thermal Power is also expected to be commissioned at Neyveli before the close of the next financial year. The total installed capacity of the Madras grid will therefore be 1,475 M.W., by the end of 1969–70 as against only 1,070 M.W., exclusive of Neyveli, at the end of the Third Plan. With reference to forecasts of demand for power, it is necessary also to initiate action on a few new projects. Preliminary works have already been undertaken in regard to the Pandiar-Punnapuzha Project in the current year. The pace of execution will be stepped up in the coming year and the whole project will be completed in the Fourth Plan period. Work in regard to the Naduvattam diversion scheme will also be undertaken so as to augment the capacity for generation in Pykara System. The Electricity Board will also press on with undiminished vigour programmes for energisation of pumpsets. A target of 50,000 pumpsets has been set and towards this programme entailing an outlay of Rs 12·50 crores, a provision of Rs 8·75 crores has been made in the Plan, the balance of Rs 3·75 crores being secured from institutional financing agencies. The total provision for power programmes in the next year's Plan is Rs 36·88 crores. Inclusive of funds secured from institutional financing agencies, the Electricity Board will be fulfilling a capital programme of Rs 40·63 crores.

Communications.

28. With the provision of Rs 181 lakhs for various programmes relating to the roads in the Plan, we will be able to improve slightly on the present rate of progress in development of communications.

Three hundred miles of bus routes now under the control of Panchayat Unions are proposed to be taken up and maintained by Government thus providing relief to their strained finances and enabling them to concentrate their own limited resources on the maintenance of other less important roads. The Government's policy in respect of nationalisation of bus routes is also being implemented according to schedule. A provision of Rs 155·58 lakhs has been made for capital outlay on programmes relating to State Transport services and this will, among other things, enable 64 routes to be nationalised as programmed. Special assistance to the extent of Rs 31·5 lakhs in the form of loans and grants will be made for the Corporation of Madras in the coming year for improvement of roads and construction of overbridges in the City.

29. Government are aware that while schemes calculated to improve production are important, social services cannot be ignored, as these alone make the Plan meaningful to the common man. Expansion of opportunities for education, in particular, is of special significance in redressing economic inequalities and opening avenues for advancement to socially and economically backward sections of our population. The House will recall that in the very first Budget of our former Chief Minister he had provided for free education at the Pre-University Class level for all students, subject to certain income limits. The limit as now in force is Rs 2,000 per annum in respect of students belonging to Scheduled Castes, Scheduled Tribes, Denotified Tribes and Backward Classes and Rs 1,500 per annum in respect of others. Subsequently, children of non-gazetted employees and comparable grades among employees of local bodies Education.

and teachers in aided institutions were exempted from payment of tuition fees in Pre-University Class. The House should be glad to know that the present Government following in the foot steps of Anna have now decided to grant exemption from payment of tuition fees and thus make education free for all students irrespective of caste or community and without income limit in Pre-University Class.

30. The importance assigned to education is thus being continued in the next year's Plan. Inclusive of the committed expenditure, provision for education, general and technical, will be of the order of Rs 65·39 crores representing 24 per cent of State's revenues. The Annual Plan for this sector provides on the whole for appointment of 7,900 teachers to cope with the enrolment envisaged in the age-group 6—11, 11—14 and 14—17. The need for qualitative improvement has also been kept in view, as will be evidenced from the provision of Rs 75 lakhs for construction of school buildings and Rs 39 lakhs for provision of scientific equipment. The large expansion in the field of secondary education in the last few years has intensified pressure for admission to colleges. Government have tried to meet this demand in part through opening of new colleges and expansion of capacity for admission in the existing colleges. The Budget Estimates for 1969–70 provides for the opening of four new Government Colleges. Provision has also been made for opening of Degree Courses in the Colleges at Tiruppur, Vridhachalam, Thanjavur, Mayuram, Namakkal, Rasipuram, Villupuram and Wallajahpet. It is proposed to open post-graduate courses in Government Colleges in Salem and Coimbatore and E.V.R. College at Tiruchirappalli. A provision of Rs 46·25 lakhs has been made for construction of buildings for colleges. It should also be possible to make

significant progress in regard to construction of buildings for Madurai University in view of the provision of Rs 20 lakhs for this purpose in the Budget Estimates for 1969–70.

31. Keeping in view the slackening in the pace of industrial expansion in the country, the Planning Commission has advised States against opening of new technical educational institutions at diploma and degree levels. The accent in the State's Fourth Plan will therefore be on consolidation and improvement of the present technical institutions and the diversification of existing courses of study with reference to the actual needs of the industry. But even so, having regard to the rush for admission into the College of Engineering, at Guindy, it is proposed to start an "Off-Centre" Campus for the College of Engineering in the campus of the Central Polytechnic.

Welfare of Backward Classes.

32. Welfare of backward classes has received adequate recognition in the next year's Plan. Expenditure up to the level attained in 1968–69 on several schemes such as scholarships has now become committed and will be treated as non-Plan expenditure, further step-up in expenditure alone forming part of the new Plan starting from 1969–70. This accounts for the apparent reduction in the Plan outlay in this sector to Rs 100·77 lakhs in 1969–70 as compared with Rs 166·32 lakhs in the current year. A proper assessment of the dimension of developmental programmes envisaged in this sector will therefore be possible only if both committed and Plan expenditure are taken together, and when assessment is made, it will be seen that the total expenditure on welfare of backward classes has rendered an increase from Rs 642·29 lakhs in the Revised Estimate of 1968–69 to Rs 696·92 lakhs in 1969–70.

Public Health.

33. The needs of the people in sectors like medical relief and public health are obviously large in relation to the resources at the disposal of the Government. But even so, the long list of new schemes, details of which will be found in Appendix I of the Budget Memorandum will show that Government have endeavoured to meet to the extent possible requirements of this sector in regard to buildings, staff and development. Special mention should be made of the provision made for construction of new buildings and other improvement for hospitals at Udumalpet, Dharapuram, Mettupalayam, Pudukkottai, Vridhachalam, Dindigul, etc. Government have also sanctioned the opening of Siddha wings in five district headquarters hospitals.

34. It is necessary to ensure that the fruits of economic programmes are not eroded by increase in population. High priority has therefore been accorded to family planning in our Plans. The Annual Plan embodies a provision of Rs 206·09 lakhs for programmes connected with family planning of which Rs 198·59 lakhs will be met by Central assistance outside the ceiling of assistance for the State's Plan.

Water-supply and drainage.

35. The pace of expenditure on water-supply and drainage schemes will be maintained at the same level as in the current year. The provision for rural water-supply schemes inclusive of the funds allocated under Community Development is, however, being stepped up from Rs 106·72 lakhs in 1968–69 to Rs 112·57 lakhs in 1969–70. An expenditure of the order of Rs 2 crores is envisaged on water-supply and drainage schemes relating to Madras Corporation, of which the Corporation is expected to meet Rs 1 crore out of the open market loan to be floated, the balance being met by the State Government as part of its Plan. Besides a provision of Rs 50 lakhs has been made for the

Veeranam Water-supply Scheme and this provision may have to be increased in the year with reference to the actual pace of execution of the scheme. On present indications, and with reference to the Budget provision now made, it is expected that water-supply schemes relating to Tiruvottiyur, Kancheepuram, Tiruthani, Tiruvallur, Arkonam, Tiruvannamalai, Pudukkottai and drainage schemes at Chidambaram and Mannargudi will be completed in 1969–70.

36. Next year's Plan as emerging from the Budget Estimates will be of the order of Rs 87·20 crores. The House will remember that out of the current year's Plan outlay, a sum of Rs 15 crores will be treated as committed expenditure and transferred from the Plan side to non-Plan side. If this is borne in mind, it will be clear that next year's Plan provides a substantial step up in the pace of implementation of programmes in several sectors of development. The House should also take into account the funds made available through land mortgage banks and Agro-Industries Corporation for a proper evaluation of our developmental effort in the first year of the new Plan. The needs of our people are large and our administrative machinery is fully geared to the implementation of the Fourth Plan so as to meet these needs in fuller measure than before. It is now for the Central Government which shares with us the responsibility for promoting the welfare of the people to support our efforts with adequate financial assistance. I have no doubt that all sections of the House will support this plea and offer their unstinted co-operation to Government and its agencies in promoting the economic development of the State.

37. With these words, Sir, I commend the Budget Estimates for 1969–70 for the acceptance of this House.

MADRAS,
1st *March* 1969.

K. A. MATHIALAGAN,
Minister for Finance.